

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **VICE CHAIRMAN TOM KEATING**, on February 16, 1999 at 4:33 P.M., in Room 108 Capitol.

ROLL CALL

Members Present:

Sen. Tom Keating, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. William Crismore (R)
Sen. Eve Franklin (D)
Sen. Greg Jergeson (D)
Sen. J.D. Lynch (D)
Sen. Ken Miller (R)
Sen. Linda Nelson (D)
Sen. Daryl Toews (R)
Sen. Mignon Waterman (D)

Members Excused: Sen. Chuck Swysgood, Chairman (R)
Sen. Bob Keenan (R)
Sen. Dale Mahlum (R)
Sen. Ken Mesaros (R)
Sen. Arnie Mohl (R)
Sen. Debbie Shea (D)
Sen. Mike Taylor (R)

Members Absent: None.

Staff Present: Shannon Gleason, Committee Secretary
Clayton Schenck, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: SB 447 SB 448, 2/15/1999
Executive Action:

HEARING ON SB 448

Sponsor: SEN. EVE FRANKLIN, SD 21, GREAT FALLS

Proponents: Peter Blouke, Department of Commerce
George Carlson, McLaughlin Research Institute
Sally McGregor, McLaughlin Research Institute

Opponents: None

Opening Statement by Sponsor:

SEN. FRANKLIN advised the committee this bill was an attempt to restructure the loan repayment provisions for McLaughlin Research Institute. SEN. FRANKLIN stated there have been several changes since the original loan was granted in 1991, including loan terms, MSTA, and the administrators of the program. SEN. FRANKLIN advised this agreement has the support of the Department of Commerce.

Proponents' Testimony:

Peter Blouke, Department of Commerce, felt research development was critical to the development of Montana's economy and should be considered as such. Mr. Blouke advised this bill reverts the language to the original intended language for the loan.

George Carlson, Director McLaughlin, explained McLaughlin applied for research funding in 1992. Funding was approved in 1993 under conditions different from those agreed upon when application was made. Mr. Carlson read EXHIBIT(fcs38a01), a letter from former Senator Gene Thayer the drafter of the original bill. Mr. Carlson read and handed out EXHIBIT(fcs38a02), and noted McLaughlin is a benefit to the state.

Sally McGregor, President of the Board McLaughlin Institute, stated she was involved with the original bill for funding. Ms. McGregor felt the Institute signed the loan because they had already recruited and hired staff. Ms. McGregor advised they have been working with the Department of Commerce to repay the note and felt this bill was a fair solution. The institute does receive funding for restricted accounts, mainly to be used for research, and the monies received for unrestricted accounts used to pay the loan back is very minimal. Ms. McGregor noted the institute is performing and involved with world class research. The institute is gaining national and world notoriety. {Tape : 1; Side : A; Approx. Time Counter : 4:44}

Questions from Committee Members and Responses:

SEN. LYNCH asked if the loan was ever going to be paid back. **SEN. FRANKLIN** advised it would over a 188 years. **SEN. FRANKLIN** felt the most important aspect was the royalty provision, and she explained language required a portion of any money received from royalties be used to repay the loan.

SEN. TOEWS asked why the loan wasn't forgiven. **SEN. FRANKLIN** advised there was a House bill drafted to forgive the loan, however it was defeated. **Mr. Blouke** advised during the last legislative session the department was asked to make recommendations for reasonable payback for all the MSTA loans. The Department of Commerce recommends forgiving these loans.

SEN. TOEWS felt the Legislature needed to realize there is not the huge impact of jobs and economy stimulation thought with these monies. **SEN. FRANKLIN** advised it was a mix, and this particular organization has lived up to it's obligation by stimulating the economy. The royalties were important because **McLaughlin** is doing world class research that could produce royalties. **Mr. Blouke** stated during the interim the Governor created a task force to review the states obligation for research and development and they proposed a committee be established to review any state funding request to determine research impact on the state.

VICE CHAIRMAN KEATING noted the Fiscal Note requires a portion of the monies be deposited in the permanent Coal Tax Trust Fund and questioned if part of this money was diverted from the permanent trust. **Mr. Blouke** advised the Legislature appropriated money to the board to be used as loan for research and the loans were to be repaid to the trust. The interest was to be retained or reinvested. **VICE CHAIRMAN KEATING** advised the reason the loans have not been forgiven is because of the repayment terms as it would take a 3/4 vote of both houses to forgive the loan.

SEN. TOEWS asked if the interest could be removed. **VICE CHAIRMAN KEATING** thought it was already being done. **Mr. Blouke** advised it was not. This bill reset the terms to the original repayment schedule. **CHAIRMAN KEATING** asked what would the payment be. **Mr. Blouke** advised the terms of repayment would be approximately \$2500.00 annually for 188 years.

Closing by Sponsor:

SEN. FRANKLIN advised the committee **SEN. MESAROS** wanted her to note his support for the record, and added this bill allows

McLaughlin to continue their research while keeping the spirit of the original agreement. **SEN. FRANKLIN** advised the institute is involved in world class research and could see royalties. It is very difficult to maintain operations in Montana, and this would help insure they remained. {Tape : 1; Side : A; Approx. Time Counter : 4:59}

HEARING ON SB 447

Sponsor: **SEN. EVE FRANKLIN, SD 21, GREAT FALLS**

Proponents: **Frank Cote**, Deputy Insurance Commissioner
 Jacquiline Lenmark, American Insurance Association

Opponents: None

Opening Statement by Sponsor:

SEN. FRANKLIN advised this was a committee bill resulting from the State Auditors' Department recommendations and was an attempt to correct insurance companies paying fees to the Insurance Department in excess of operating costs. **SEN. FRANKLIN** added this would also help with the management of smaller fees, as it was felt the cost to handle a fee under \$10.00 was more than the fee itself. **SEN. FRANKLIN** advised there were other bills, **SB 130** and **SB 132** in the system that revised the fee structure, however the wording caused them to fall under CI-75 and this bill uses the words rebates to avoid the vote.

Proponents' Testimony:

Frank Cote, Deputy Insurance Commissioner, felt audit requirements made it too costly to collect the smaller fees. **Mr. Cote** advised the committee **SB 130** and **SB 132** dealt with an annual fee in place of all fees paid by the insurance companies. **Mr. Cote** advised there is no rebate of the fees, this simply allowed the commission to use it's discretion to not charge the smaller fees. **Mr. Cote** noted **Ms. Lenmark** was unable to attend but did wish her support noted for the record.

Questions from Committee Members and Responses:

SEN. TOEWS commented if it cost the department more to collect these fees there should be a revenue neutral Fiscal Note. **Mr. Cote** advised there was no evidence to support this as it was intangible. The cost savings would be a result of freeing up

staff members time. **SEN. TOEWS** asked if the department would be willing to back that by reducing it's budget request. **Mr. Cote** advised that was not possible, as the \$600,000.00 represents what the insurance companies pay over the operating costs and that is reverted to the General Fund.

SEN. CHRISTIAENS advised the Fiscal Note reflected insurance companies are growing and an anticipation of lost revenue to the General Fund. **Mr. Cote** advised that would be the case because the fees would be adjusted to support the operating costs of the department and therefore no excess would go to the General Fund. **Mr. Cote** noted this should not be confused with the premium tax. **Mr. Cote** noted the premium tax would cause the General Fund to increase as the industry increased.

SEN. CHRISTIAENS thought this would have an impact on the premium tax. **Mr. Cote** advised that was not correct. The premium tax was a tax paid by the insurance companies in lieu of income tax. Approximately 70% of the fees collected are used to regulate the industry with the remaining 30% going into the General Fund. The complaint of the insurance companies is they already pay a tax that goes into the General Fund, so in essence they are getting hit twice.

VICE CHAIRMAN KEATING advised this would mean the companies would get a funding break and wanted to know if there would be interest income on the fees paid in cash and not used immediately. **Mr. Cote** advised they only spend what is appropriated and there is no need to spend any more. It was a possibility to generate interest that would carry over and reduce the fees requested next year. **VICE CHAIRMAN KEATING** asked **Clayton Schenck**, Legislative Fiscal Analyst what the breakout would be or if the interest could be required to revert to the General Fund.

VICE CHAIRMAN KEATING wanted to know the fee collection process. **Mr. Cote** advised the department would collect the larger fees first and then the appointment and continuing education fees if needed.

VICE CHAIRMAN KEATING asked how the department would set the fees. **Mr. Cote** advised the language did not allow them to increase the fees, simply made it possible to collect or not collect fees on their discretion.

VICE CHAIRMAN KEATING wondered how the Auditors Department was going to provide for funding. **Mr. Cote** advised they would pick the fees necessary to fund the department and waive the others. **VICE CHAIRMAN KEATING** thought it would be a good idea to charge

the fees up front from the companies and held the fees to fund the department throughout the year. **SEN. CHRISTIAENS** advised his concern would be the charges would be the same for a smaller company as a large company and felt that was unfair.

Closing by Sponsor:

SEN. FRANKLIN advised the committee she felt this was the best approach as the other bills were effected by **CI-75**. The real reason for this was to bring the fees collected in line with the service cost occurred by the Auditors Department.

ADJOURNMENT

Adjournment: 5:20 P.M.

SEN. CHUCK SWYSGOOD, Chairman

SHANNON GLEASON, Secretary

CS/SG

EXHIBIT (fcs38aad)